

Message Text

SECRET

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S E C R E T OTTAWA 07082

EXDIS

C O R R E C T E D C O P Y TWO LINES MISSING IN PARA SEVEN

FOR ACTING SECRETARY; WHITE HOUSE FOR VICE PRESIDENT,
ENERGY SECRETARY DESIGNATE SCHLESINGER, AND GOLDMAN

EO 11652: XGDS
TAGS: ENRG, CA
SUBJ: CANADIAN DECISION ON GAS PIPELINE

1. THIS IS SITUATION ON EVE OF CANADIAN CABINET DECISION MEETINGS ON GAS PIPELINE AUGUST 6 AND (IF NECESSARY) AUGUST 8.
2. PARLIAMENT IS NO PROBLEM. IN AUGUST 4/5 DEBATE, OPPOSITION PROGRESSIVE CONSERVATIVES AND NDP ENDORSED ALCAN IN PRINCIPLE, WHILE PRESSING FOR MAXIMUM CANADIAN BENEFIT, AND INSISTING ON CONSTRUCTION DELAY TO MID-1981. HOWEVER NEITHER PARTY ENDORSED (OR CHALLENGED) THE COSTLY DAWSON DIVERSION.
3. CABINET HAS YET TO JELL. DISAPPOINTED HARDCORE BACKERS OF MACKENZIE LINE HAVE JOINED YOUNGER, MORE ENVIRONMENTALLY CONSCIOUS MEMBERS IN ARGUING THAT ALCAN MAINLY BENEFITS THE U.S., AND THEREFORE THAT CANADA SHOULD INSIST ON MAXIMUM CONDITIONS ALONG NEB/LYSYK LINES BEFORE GIVING GO-SECRET

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AHEAD. SOME MEMBERS ARE EVEN ARGUING FOR A REVIVAL OF MACKENZIE OPTION. MANY EXPRESS FRUSTRATION THAT CONTRARY TO THEIR EXPECTATION THE U.S. ISN'T GRABBING FOR AN OVERLAND ROUTE. TRUDEAU AND A GROUP OF ALCAN SUPPORTERS INCLUDING ENERGY MINISTER GILLESPIE ARE ARGUING (A) THAT CANADA NEEDS THE ECONOMIC STIMULUS FROM THE PIPELINE AND SHOULDN'T OVERPLAY HAND, (B) THAT CANADA NEEDS TO BE ON A

COOPERATIVE TRACK WITH U.S. DURING THE STRUGGLE OVER NATIONAL UNITY.

4. MAIN PROBLEM CABINET IS GRAPPLING WITH IS TACTICS. CABINET IS UNCOMFORTABLY AWARE THAT ONCE CANADA COMMITS TO NEGOTIATION BARGAINING ADVANTAGE SHIFTS TO U.S. SPOKESMEN ARE TRYING TO DEAL WITH THIS BY EMPHASIZING TENTATIVE, CONDITIONAL NATURE OF ANY TALKS, AND THAT REQUIREMENT TO LEGISLATE RESULT HERE GIVES OTTAWA LAST SAY. BUT TRUDEAU'S POLITICAL ADVISORS ARE WARNING HIM THAT FAILURE OF NEGOTIATION COULD RUIN GOVERNMENT'S (CURRENTLY EXCELLENT) RE-ELECTION CHANCES BY EXPOSING IT TO CHARGE OF MISMANAGING MOST IMPORTANT ECONOMIC (AND U.S./CANADA) DECISION OF THE DECADE. AT SAME TIME STAFF LEVEL PIPELINE TASK FORCE IS URGING CABINET NOT TO UNDERTAKE NEGOTIATIONS UNLESS IT IS PREPARED FOR FAILURE AS FOR SUCCESS, FOR CURRENT U.S. AND CANADIAN POSITIONS ARE FAR APART AND CANADIAN LEVERAGE WILL OTHERWISE BE SMALL.

5. AS OF NOW (MID-AUGUST 5), TRUDEAU'S CLOSEST ADVISORS TELL ME, HE HOPES TO CUT THROUGH THE BARGAINING DILEMMA BY APPEALING DIRECTLY FOR THE PRESIDENT'S COOPERATION IN WORKING OUT A MUTUALLY ACCEPTABLE OVERLAND ROUTE. PRESENT SCENARIO CALLS FOR PHONE CALL AFTER FIRST CABINET SESSION AUGUST 6, WITH FINAL CABINET SESSION TO FOLLOW AUGUST 8. TRUDEAU KNOWS THAT THE PRESIDENT CANNOT AS OF THIS WEEK-
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END MAKE A DECISION IN PRINCIPLE ON A ROUTE. BUT HE WOULD HOPE TO GET ENOUGH ASSURANCE PRESIDENT IS WORKING TOWARD SAME GOAL TO TAKE (AND GET CABINET TO TAKE) THE POLITICAL RISKS OF STARTING TO NEGOTIATE. TONE WOULD BE AS IMPORTANT AS ACTUAL STATEMENTS.

6. HOWEVER CABINET DECISION-MAKING HERE IS GENUINELY COLLECTIVE AND OFTEN VOLATILE. ONE POSSIBLE OUTCOME WOULD BE FOR CABINET TO TEMPORIZE, AND GO INSTEAD FOR AN ADDITIONAL ROUND OF EXPLORATORY TALKS PRIOR TO AGREEING TO NEGOTIATE, HOPING THAT PRESSURE OF TIME ON U.S. WOULD EQUALIZE BARGAINING ADVANTAGE.

7. IF TRUDEAU DOES CALL, SUGGEST PRESIDENT CALIBRATE HIS RESPONSE TO DEGREE OF COMMITMENT TO NEGOTIATING PROCESS TRUDEAU MAKES. IF TRUDEAU PROPOSES TO WORK TOGETHER AND NEGOTIATE TOWARDS A MUTUALLY ACCEPTABLE OVERLAND ROUTE THIS MONTH, SUGGEST PRESIDENT RESPOND IN KIND, GIVING THAT AS HIS GOAL ALSO, WHILE MAKING CLEAR THAT MANY OF THE OBJECTIVES NEB AND LYSYK WANT TO ACHIEVE THROUGH THEIR RECOMMENDED CONDITIONS WILL HAVE TO BE MODIFIED OR ACCOMPLISHED IN OTHER WAYS IF A DEAL IS TO BE POSSIBLE. PRESI-

DENT SHOULD EMPHASIZE GREAT IMPORTANCE WE PUT ON KEEPING
CANADA AND U.S. ON COOPERATIVE TRACK. IF TRUDEAU IS MORE
TENTATIVE, NO DOUBT THE PRESIDENT WILL WISH TO BE SO ALSO.
ENDERS

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